

TEXAS OIL & GAS CORP.

Inter-Office Memorandum

Date: April 12, 1985

To: SEE DISTRIBUTION

From J. L. Landrum

Dept./Dist. _____

Dept./Dist. General Accounting

Re: Revised Overhead Rates
Effective April 1, 1985

Effective April 1, 1985, COPAS has approved an increase of 2.7% for overhead rates in effect for contracts dated prior to April 1, 1985.

Accordingly, we have escalated the old rates and set forth below the rates which should be used for contracts developed April 1, forward.

| <u>DISTRICT</u> | <u>DEPTH</u> | <u>EFFECTIVE RATE (\$)</u> | |
|-------------------------------|---------------|----------------------------|------------------|
| | | <u>4/1/85 - 3/31/86</u> | |
| | | <u>DRILLING</u> | <u>OPERATING</u> |
| Gulf Coast | All | \$5,374 | \$538 |
| Southeastern | All | 6,986 | 698 |
| West Texas | 0 - 4000' | 3,941 | 394 |
| | 4000 - 12000' | 5,374 | 538 |
| | Over 12000' | 6,986 | 698 |
| North Louisiana | All | 5,647 | 566 |
| South Louisiana Non-Marine | 0 - 8000' | 5,656 | 566 |
| | 8000 - 12000' | 6,417 | 642 |
| | Over 12000' | 7,613 | 761 |
| Inland Marine | All | 8,701 | 870 |
| Mississippi | 0 - 8000' | 5,647 | 566 |
| | Over 8000' | 6,416 | 642 |
| Alabama | 0 - 4000' | 2,893 | 457 |
| | 4000 - 8000' | 3,334 | 533 |
| | 8000 - 12000' | 3,554 | 601 |
| | Over 12000' | 4,334 | 698 |

TXO PRODUCTION CORP.

Case No. 8755

11/21/85 Examiner Hearing

Exhibit No. 6

TXO PRODUCTION CORP.
Case No. 8755
11/21/85 Examiner Hearing
Exhibit No. 12

October 1, 1984

Mr. Joseph S. Sprinkle
Box 6483
Denver, Colorado 80206

Re: Farmout Request
NW/4 Section 26,
T-18-S, R-35-E,
Lea County, New Mexico

Dear Mr. Sprinkle:

Pursuant to our conversation of this date, TXO Production Corp. respectfully requests a farmout on the above referenced tract. TXO would be agreeable to farmin on the following terms:

1. By drilling a well at a legal location in the W/2 of Section 26, T-18-S, R-35-E, Lea County, New Mexico to a depth of 13,500' or a depth sufficient to test the Morrow formation, TXO would earn an assignment from you of all its right, title and interest in the proration unit on said acreage to 100 feet below the deepest depth drilled.
2. You would retain an overriding royalty interest equal to the difference between 25% of all the oil and gas produced and the total of all existing lease burdens of record to the extent that TXO shall be delivered a 75% net revenue lease. You would have an option at payout to convert your overriding royalty to a 25% working interest proportionately reduced.
3. You would agree to furnish TXO with whatever title information you have in your files in connection with this property.

This offer is subject to a mutually acceptable farmout agreement and TXO management approval.

October 1, 1984
Mr. Joseph S. Sprinkle
Page two

I want to thank you for offering to forward a copy of this proposal to your partners. Your consideration of this request at your earliest convenience is greatly appreciated. I look forward to hearing from you soon.

Very truly yours,

Jeff Bourgeois
Landman

JB/dp

TXO PRODUCTION CORP.
Case No. 8755
11/21/85 Examiner Hearing
Exhibit No. 13

January 11, 1985

Mr. Joseph S Sprinkle
P. O. Box 6483
Denver, Colorado 80206

Re: Sprinkle Federal #1
Well Proposal
N/2 Section 26
T-18-S, R-32-E,
Lea County, New Mexico

Gentlemen:

TXO Production Corp. hereby proposes the drilling of the Sprinkle Federal #1, a 13,300' Morrow Test at a location of 660' FNL & 660' FWL of Section 26, T-18-S, R-32-E, Lea County, New Mexico. Enclosed please find two (2) copies of our Authority for Expenditure (AFE) for the drilling of this well.

At this time, TXO seeks your election to join in the well. If, after you have reviewed the AFE, you decide you would like to participate in the well, please sign one copy of the AFE and return it to the attention of the undersigned at the letterhead address.

As an alternative to joining in the well, TXO would be willing to farm in your interest on the following terms:

1. By drilling a well at the above referenced legal location in the N/2 of Section 26, T-18-S, R-32-E, Lea County, New Mexico to a depth of 13,300 feet or a depth sufficient to test the Morrow Formation, TXO would earn an assignment from you of all your right title and interest in the proration unit on said acreage to 100 feet below the deepest depth drilled;
2. You would retain an overriding royalty interest equal to the difference between 25% of all the oil and gas produced and the total of all existing lease burdens of record to the extent that TXO shall be delivered a 75% net revenue lease. You would have an option at payout to convert your overriding royalty interest to a 25% working interest proportionately reduced.

These terms are subject to a mutually acceptable farmout agreement and TXO management approval.

If you elect to join in the drilling of this well or, alternatively farmout under the aforementioned general farmout terms, please advise and the respective agreements will be prepared and forwarded for your execution.

January 11, 1985
Mr. Joseph W. Sprinkle
Page two

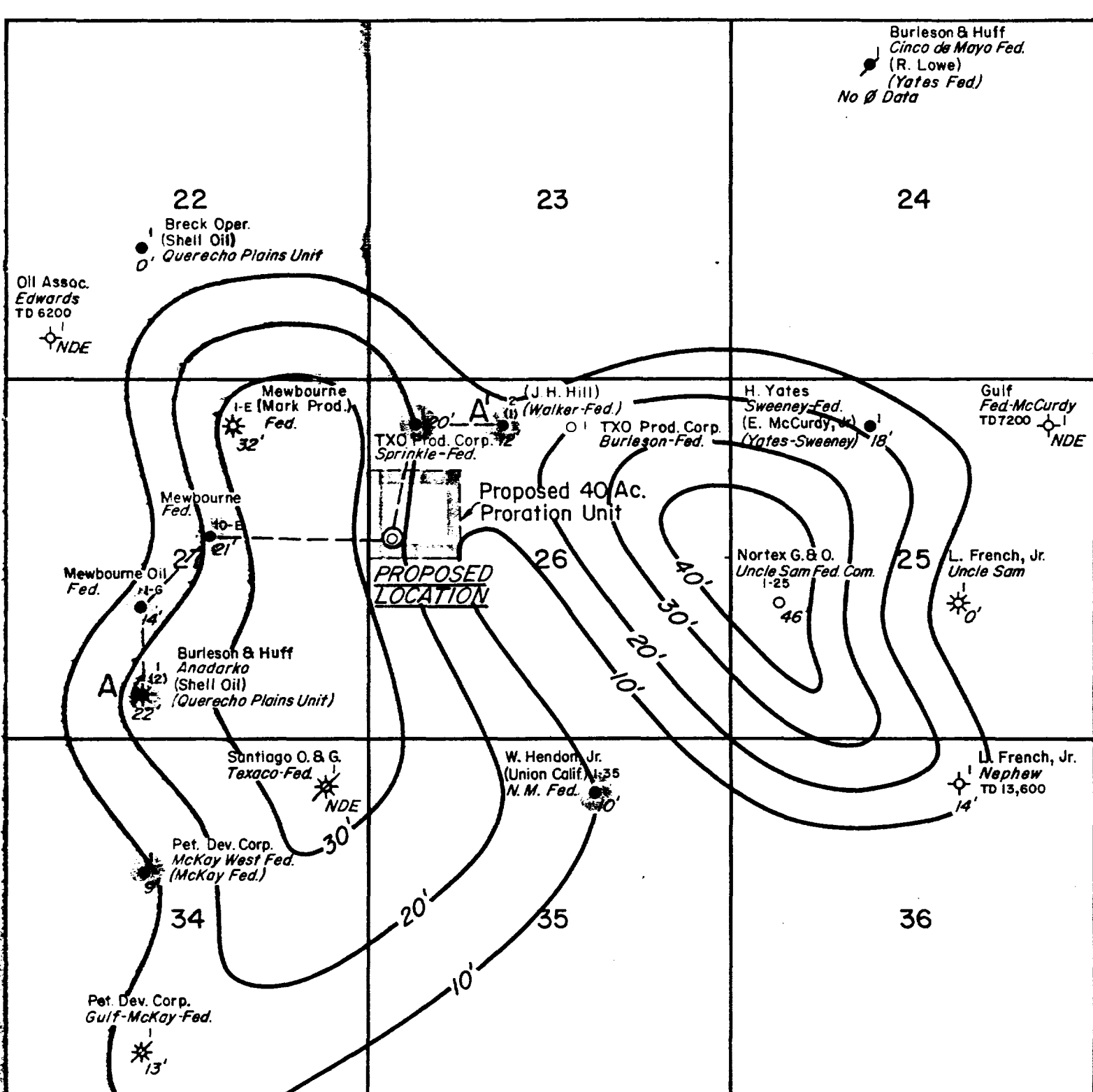
TXO is putting this well in line on our rig schedule and therefore, if within two weeks after the receipt of this letter, you have failed to confirm in writing of your decision to join or farmout, a compulsory pooling application will be filed with the New Mexico Oil Conservation Commission. If you would like to discuss the well further, please do not hesitate to contact me at the above address or telephone number.

Thank you for your cooperation in this matter.

Very truly yours,

Jeff Bourgeois
Landman

JB/dp
Enclosure



TXO PRODUCTION CORP.
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Exhibit No. 9

 BONE SPRING WELL



TXO Production Corp.

QUERECHO PLAINS FIELD

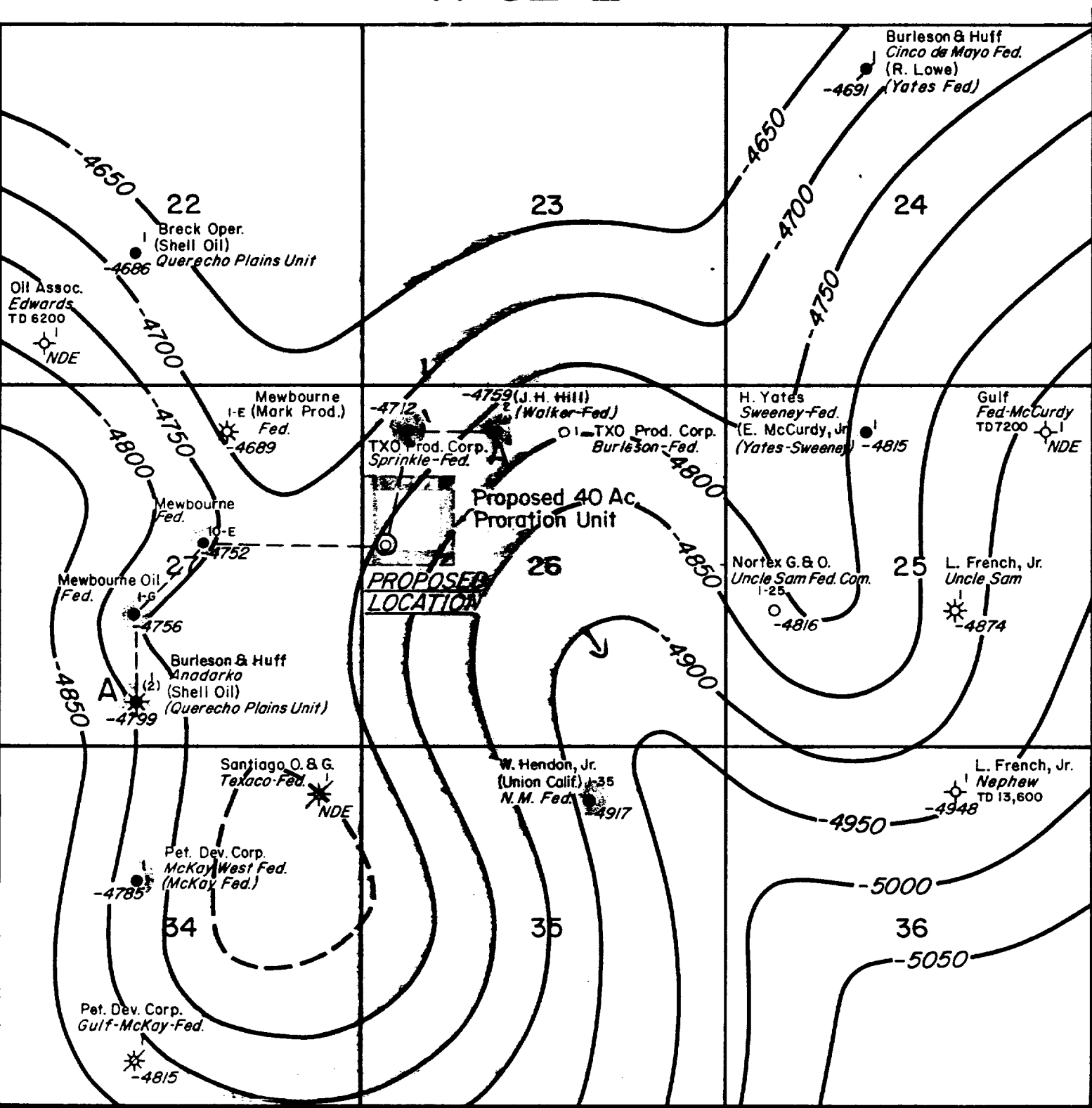
LEA COUNTY, NEW MEXICO

COMPULSORY POOLING HEARING FOR
TXO PROD. CORP. NO. 3 SPRINKLE-FED.

POROSITY ISOPACH MAP

BONE SPRING PAY SANDS

C.I. = 10'
POROSITY ≥ 10 %



TXO PRODUCTION CORP.
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Exhibit No. 3

 BONE SPRING WELL



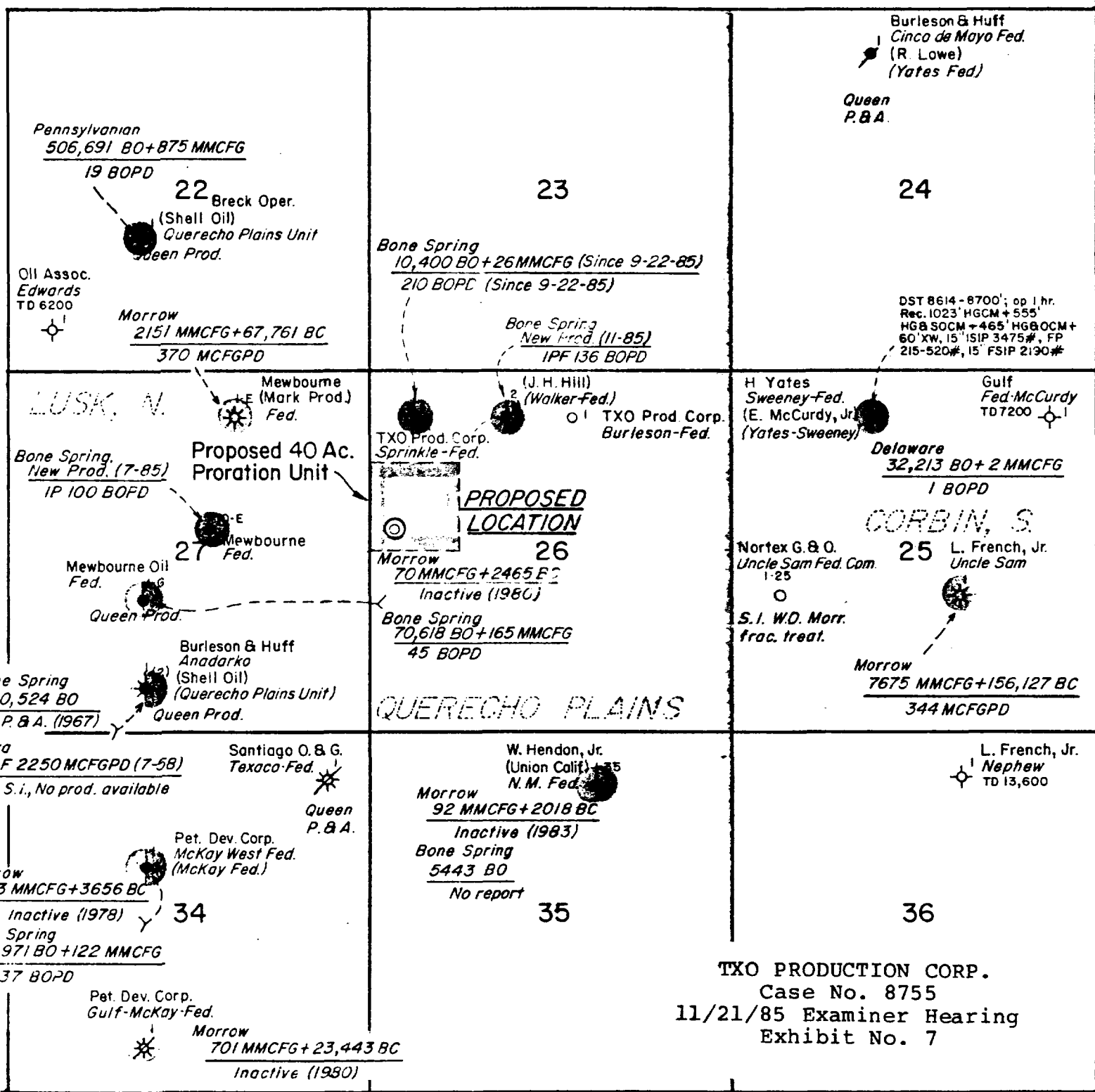
TXO Production Corp.

QUERECHO PLAINS FIELD
LEA COUNTY, NEW MEXICO

COMPULSORY POOLING HEARING FOR
TXO PROD. CORP. NO. 3 SPRINKLE-FED.

STRUCTURE MAP
TOP BONE SPRING PAY SANDS

C.I. = 50'



NOTE: WELLS NOT PENETRATING 4825' DEPTH NOT SHOWN.

LEGEND

Producing Formation
Cumulative Production to 7-1-85
Avg. Daily Production for 6-85
(Current Well Status)

- DELAWARE WELL
- BONE SPRING WELL
- PENNSYLVANIAN WELL
- ATOKA WELL
- MORROW WELL



TXO Production Corp.

QUERECHO PLAINS FIELD
LEA COUNTY, NEW MEXICO

COMPULSORY POOLING HEARING FOR
TXO PROD. CORP. NO. 3 SPRINKLE-FED.

PRODUCTION MAP